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SUBJECT: PERU: 2005 COUNTRY REPORT ON TERRORISM

REF: STATE 193439

¶1. The following is Post's submission for the 2005 Annual Terrorism Report.

Peru remained a strong supporter of U.S. counterterrorism efforts in 2005. Peru has consistently supported the Global War on Terrorism, has actively participated in the United Nations and OAS Inter-American Committee Against Terrorism (CICTE), and has firmly supported Colombia against the Revolutionary Armed Forces of Colombia (FARC). State officials regularly describe combating terrorism as one of Peru's top priorities both domestically and in multilateral fora such as the UN and the OAS.

Even though Shining Path (Sendero Luminoso or SL) -- a U.S.-designated Foreign Terrorist Organization -- poses less of a danger to the Peruvian Government than in past decades, SL continues to threaten U.S. and Peruvian interests, conducting several deadly attacks in remote Peruvian areas in ¶2005. SL strength is estimated to be a few hundred armed members concentrated in the most remote areas of coca-growing valleys. SL reportedly is expanding its involvement in the drug trade, including the production of coca paste by at least one SL group, and has become more aggressive in its attacks on counternarcotics efforts.

SL has responded to successful counternarcotics operations with armed actions intended to intimidate authorities. The SL attacks have been in defense of economic interests -- narcotics trafficking -- in contrast with previous acts of violence carried out in support of revolutionary goals. The lines between SL and narcotics traffickers are blurring, and there is evidence of young community members becoming involved in attacks on counternarcotics operations. The link with the drug trade provides the terrorists with a greater source of funding with which to conduct operations, improve relations with local communities and gain recruits. Lack of government presence in these areas has complicated efforts to disrupt SL activity. Reports suggest that SL is continuing attempts to rebuild support in the universities where they exercised considerable influence in the 1980's.

Significant attacks by SL occurred in February, April, July, November, and December targeting the Peruvian National Police (PNP) and the U.S.-Peru counternarcotics program. In February, three highway police officers were ambushed and killed by alleged members of the SL in Huanuco Department. In April in the San Martin Department of the Upper Huallaga Valley, three helicopters conducting counternarcotics operations were ambushed with semiautomatic weapons and grenades; a subsequent raid on the attackers' base indicated they were linked with SL. Also in San Martin, a PNP patrol squad was ambushed in July and attacked with an electrically detonated explosive device, killing three police officers; evidence indicates that SL was involved. In November, a group of heavily armed SL members kidnapped 10 employees of a USAID alternative development contractor who had been invited by a community in the Huanuco Department to discuss a voluntary eradication program. The abductors released the employees, but threatened to kill them if they returned to the area. Later in November, SL remnants threatened five communities in Ucayali Department either to reject the voluntary alternative development program or suffer the consequences. In December, two DIRANDRO (counternarcotics police) vehicles were ambushed in Ayacucho Department resulting in the murder of five anti-drug police officers and the wounding of other law enforcement officials including a prosecutor. Reports indicate the attackers were SL members. Subsequent to the December ambush, police searching for the attackers on the ground and via the air were fired upon. One PNP officer flying in a helicopter was shot in the leg.

The continued SL threats and violent attacks have led to an internal Peruvian debate as to whether or not there is a resurgence in the terrorist threat to the GOP. There is evidence that SL has increased its armed combatant strength in the Ayacucho Department with up to 30 militants. The security threats that exist where SL remnants are active will cause the USG to continually reassess its ability to carry out counternarcotics operations in these areas.

The Tupac Amaru Revolutionary Movement (MRTA) has also been significantly reduced in numbers, and does not pose a serious threat. The MRTA has not conducted a significant terrorist

attack since the December 1996 hostage taking at the Japanese Ambassador's residence in Lima. A Peruvian member of the MRTA was detained in La Paz by Bolivian authorities; the detainee had grenades and arms in her vehicle. The Peruvian Communist Party (Patria Roja) has not engaged in terrorist acts but is suspected of advocating confrontation with Peruvian security forces.

Armed terrorist incidents increased to 47 in 2005 (through October) from 40 in 2004. (Note: Armed terrorist incidents for this purpose are defined as attacks, confrontations, ambushes, harassments with gunfire, or roadblocks carried out by SL members armed with long range weapons. It does not include the instances of painting subversive slogans, distributing subversive leaflets, anonymous telephone threats, threatening letters or simulated explosive devices.)

The Peruvian Government arrested 128 suspected SL and MRTA members (through October), including alleged key SL leader Toribio Castaneda Quijano (aka Comrade Pinto Pinto) and the last at-large original leader of the MRTA, Julio Cesar Vasquez.

There is no evidence of Colombia's National Liberation Army (ELN) operating inside Peru, and only limited evidence of the FARC operating inside Peru. (Note: FARC operations in Peru have been limited to using remote land for rest areas and arms purchases. According to the PNP, indigenous groups in the jungle areas of the Loreto Department in Peru were being forced by the FARC to cultivate coca crops.) In January, the Peruvian Foreign Minister played a critical role in diffusing a conflict between Venezuela and Colombia over forced rendition of a FARC spokesperson from Venezuela to Colombia. Peru, Colombia, and Brazil are party to a border security agreement, signed in 2004, to enhance cooperation to combat terrorism and arms trafficking.

President Toledo has pledged increased funding for security forces and social development projects in areas where SL and other terrorist groups operate. The Peruvian Congress approved the President's request to create a National Defense and Security Fund, totaling \$40 million for 2005. The Peruvian Congress created a national security system designed to improve inter-governmental cooperation and strengthen prosecutors. The PNP Directorate of Counterterrorism (DIRCOTE) is the primary Peruvian agency carrying out counterterrorism efforts, along with the Peruvian Army. DIRANDRO has been the target of many of the attacks due to the increasing links between terrorist remnants and the narcotics trade.

President Toledo has repeatedly extended a State of Emergency, which suspends some civil liberties and gives the Armed Forces authority to maintain order, for successive periods of up to 60 days in parts of Peru's five departments where SL is believed to still have armed members. The Peruvian Government and civil society are working to formulate implementation of the 2002 recommendations of the Truth and Reconciliation Commission to heal wounds from the terrorist conflict of the 1990's. President Toledo also formed Peace and Development Commissions in 2002 to promote cooperation between police, military, and residents in the areas where SL and MRTA conflicts had been the greatest.

The GOP has aggressively prosecuted terrorist suspects, led by special antiterrorism prosecutors in the Attorney General's office and an antiterrorism State Attorney in the Interior Ministry. In January 2003, the Constitutional Tribunal, in conformance with the findings of the Inter-American Court of Human Rights (IACHR), overturned the convictions of some 1,900 SL and MRTA defendants who had been tried on Fujimori-era decree laws on terrorism. Peru's special antiterrorism court is retrying approximately 750 cases. A retrial of SL founder Abimael Guzman and 20 co-defendants got off to a shaky start in 2004, but is proceeding satisfactorily and expected to conclude in early 2006. The retrial of 13 MRTA leaders, including founder Victor Polay, continues. One SL leader was convicted of participation in the planning of the 2002 bombing at El Polo shopping center (across the street from the U.S. Embassy) and sentenced to 30 years in prison. Seven SL co-defendants were acquitted of involvement in the El Polo bombing, but three were found guilty of belonging to SL and sentenced to 20-25 year prison terms.

Peru's April 2002 Law No. 27693 established a Financial Intelligence Unit (FIU) to collect, analyze and disseminate information on money laundering and other financial crimes. Peru strengthened its anti-money laundering legislation in July 2004 with the passage of Law No. 28306. The law included counterterrorist finance activities among the FIU's functions; greatly expanded the FIU's capacity to engage in joint investigations and information-sharing with foreign FIU's; enhanced the FIU's capacity to exchange information and pursue joint cases with other agencies of the Peruvian Government; and required that individuals and entities transporting more than \$10,000 in currency or monetary

instruments into or out of Peru file reports with Peruvian Customs.

All of Peru's major seaports achieved UN and private sector security certifications. The USG supports a port security program focused on providing infrastructure and training Peruvian officials to identify cargo suspected to contain illegal narcotics and other contraband. These efforts also are directed at countering terrorist threats and arms smuggling.

Peru has ratified all 12 UN conventions and protocols relating to terrorism, as well as the Inter-American Convention Against Terrorism. Peru has also signed the August 2003 Asuncion Declaration, in which several South American nations committed themselves to support the Colombian Government in its ongoing struggle against terrorism and drug trafficking.

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